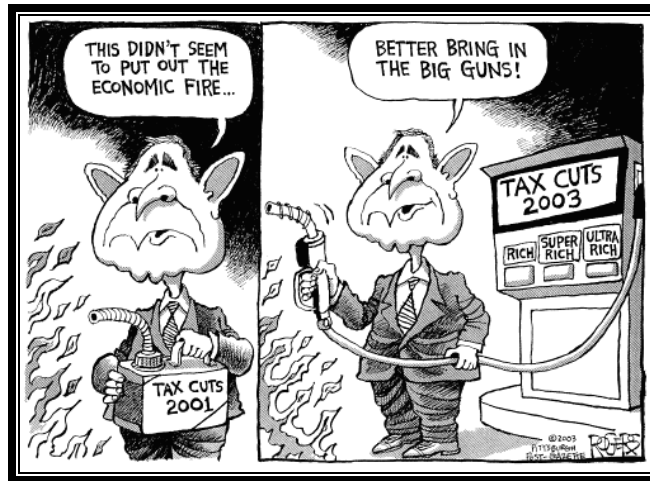


# TELLING THE TRUTH ABOUT GOP TAX CUTS



## Part I: Republicans, Economists, & Think Tanks

### Too Off on GOP Tax Proposals



## EVEN REPUBLICANS CHALLENGE IRRESPONSIBLE TAX CUTS

"We probably need to have tax cuts directed at lower-income Americans, such as payroll-tax reductions. [L]ow-income Americans in totality bear a much higher tax burden than wealthy Americans do; therefore, there is a growing gap between the wealthiest and poorest Americans."	Sen. John McCain	Dec. 2002	AP
"I don't think it [Bush tax plan] will give us the shot in the arm or rev us up like I think we need to be revved up."	Sen. George Voinovich	Jan. 11, 2003	Washington Post
"Money from the president's \$674 billion tax-cut plan would be better spent on shoring up the nation's ailing Social Security system... I would not have done it."	Fmr. Treas. Secy Paul O'Neill	Jan. 12, 2003	Pittsburgh Post-Gazette
"I am concerned about the size of the president's package at a time when we have pressing needs and are possibly on the verge of a second war with Iraq. "I question whether this is truly stimulative."	Sen. Susan Collins	Jan. 16, 2003	New York Times
"There's a disconnect there, particularly when you're telling a lot of people out there that we are at war, that you have to sacrifice. For some people, it's going to be hard for them to understand a major tax-reduction package. A lot of what the president proposed fits that bill, but the dividend tax cut doesn't right now, so we need to put it off for later."	Sen. George Voinovich	Feb. 27, 2003	Knight Ridder

"Many of us voted for the tax cuts two years ago because it was supposed to be stimulative, and now they're back with another one, saying we need to stimulate the economy. Duh; it's the same old, same old."	Rep. Ray LaHood	March 6, 2003	CongressDaily
"Nobody in my district is screaming for tax cuts, they are screaming for a prescription drug benefit."	Rep. Steven LaTourette	March 14, 2003	Congress Daily
"Unfortunately, because the resolution reflects a significant imbalance between tax cuts and spending for existing federal mandatory and discretionary programs, we cannot support it in its current form. We cannot support a budget resolution that reflect [sic] funding levels below the Bush Administration's request and that fails to meet the needs of our domestic priorities, while reducing taxes by \$1.4 trillion."	House GOP moderates, 6 of whom preceeded to vote for the tax cuts in the GOP budget resolution	March 14, 2003	Letter sent to Speaker Dennis Hastert and Budget Cmte. Chairman Jim Nussle
"We have a looming deficit. We have a war. If you come back with a gigantic tax reduction, it's hard to look someone in the eye and say, 'We can't have guns and butter, but we're going to reduce taxes.'"	Sen. George Voinovich	March 26, 2003	Cox News
"We heralded the day we accomplished a balanced budget. It's disconcerting to have the deficit financing long-term tax cuts."	Sen. Olympia Snowe	March 27, 2003	Wall Street Journal
"I am not sure about large tax cuts... We're in deficit. We've got a war."	Sen. Lincoln Chafee	March 27, 2003	AP
"We need a shot in the arm to the economy, but we don't need to shoot ourselves in the foot in terms of a deficit... Let's not just borrow that money, and put the jacket on the backs of my children and grandchildren and your children and grandchildren."	Sen. George Voinovich	April 28, 2003	Meet the Press



## ECONOMISTS AND THINK TANKS SEE SPIRALING DEFICITS AND DEBT

"An example of fad economics occurred in 1980, when a small group of economists advised presidential candidate Ronald Reagan that an across-the-board cut in income tax rates would raise revenue."	N. Gregory Mankiw, new Chairman of White House Council of Economic Advisors	1998	Textbook, <i>Principles of Economics</i>
"...Less than 9 percent of the 10-year \$670 billion tax cut he [Bush] has proposed would have an impact this year — a stimulus amounting to less than 6 tenths of one percent of GDP. Most of the cut is scheduled for later years when the main effect may simply be to enlarge the long-term deficit."	The Concord Coalition	Feb. 2, 2003	Press Release
"This is not something that would be fast acting in terms of actually stimulating growth in the short-term. If you really want to stimulate growth, you need to hand money to lower and moderate income households or maybe block grants to the states to prevent some of the tightening of fiscal policy that's occurring at that level."	Bill Dudley, chief US economist at Goldman Sachs	Jan. 3, 2003	CNBC News
"The way to stimulate the economy is to put money	Lilianne Malyuk	Jan. 7, 2003	NPR



out there that generates jobs. You don't do it by cutting the tax on dividends. You don't do it by giving benefits to the wealthy."	Economic Policy Institute		
"It's strikingly inefficient as a stimulus. You're getting under one-sixth of it in the first year, and the lion's share goes to higher-income people who are more likely to save it."	Robert Greenstein, Center on Budget and Policy Priorities	Jan. 8, 2003	Washington Post
"It's true that their [wealthy Americans] share of income taxes has increased, but their incomes have increased even faster. I think the system has become less progressive."	Joel B. Slemrod, professor of tax policy at the University of Michigan	Jan. 14, 2003	New York Times
"If, like our president and vice president, you strongly believe that cutting taxes leads to higher tax revenues, the past year and a half must have been very disappointing."	Robert S. McIntyre	February 2003	American Prospect
"Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits. This fiscal deterioration will reduce the capacity of the government to finance Social Security and Medicare benefits as well as investments in schools, health, infrastructure, and basic research."	Statement Signed by 10 Nobel Laureates and 450 Economists	Feb. 10, 2003	
"This administration has absolutely no domestic economic policy. So, anytime they are confronted with an economic problem they just propose another tax cut. It's very much like medieval medical care - the cure for almost any medical complaint was to bleed the patient. It didn't cure anyone and they bled a lot of patients right into early graves."	Mike Lux, President of American Family Voices	Feb. 20, 2003	Press Release
"We cannot afford economic policy decisions today that further raise deficits tomorrow. CED strongly opposes any short-term stimulus program that is not combined with a plan to restore longer-term budget balance. We are specifically concerned that the Jobs and Growth Package proposed by the Administration, which would raise the cumulative 2004-2013 deficit by about \$920 billion (including interest) and raise the annual deficit ten years from now by about \$100 billion, does not meet this test."	Council on Economic Development	March 5, 2003	"Exploding Deficits, Declining Growth: The Federal Budget and the Aging of America"
"The long-term budget outlook is much worse than official government projections, with annual deficits apt to accumulate to more than \$4 trillion over the next ten years... Unfortunately, the sharp deterioration in the budget outlook does have negative economic consequences."	Goldman Sachs	March 14, 2003	"Budget Blues: Play It Again, Uncle Sam"
"Trying to achieve a balanced budget and doing another big tax cut at a time when we're already in deficit is a fundamentally inconsistent goal. Their plans demonstrate how unlikely it is that we're going to get back to balance anytime soon."	Robert L. Bixby, Executive Director of the Concord Coalition	March 22, 2003	Baltimore Sun
"[G]iven the deficits we're already in, you can't keep doing tax cuts like this — you can't keep cutting your revenue base — without it inevitably leading to sharp budget cuts."	Robert Greenstein, Center for Budget and Policy Priorities	April 3, 2003	New York Times



"It is clear that the war is not the only problem the economy has. I don't think we can afford huge tax cuts in our current state."	David Wyss, the chief economist at Standard & Poor's	April 6, 2003	New York Times
"It is illogical to begin the journey back toward balanced budgets by enacting a tax cut that will only make the long-term outlook worse. Furthermore, the proposed tax cuts are not useful for short-term fiscal stimulus, since only a small portion would take effect this year. Nor would they spur long-term economic growth. In fact, tax cuts financed by perpetual deficits will eventually slow the economy."	Bob Kerrey, Sam Nunn, Warren B. Rudman, Peter Peterson, Robert Rubin, Paul Volcker	April 9, 2003	"No New Tax Cuts" New York Times
"To the extent that Bush administration policy proposals lead to ever-mounting federal budget deficits, serious new risks might affect the U.S. economy: namely, an exploding balance-of-payments gap, a plunging dollar, and rising interest rates. These aftershocks would swamp any hopes for a windfall of economic growth and job creation."	Stephen Roach, chief economist at Morgan Stanley	April 28, 2003	Philadelphia Inquirer
"I could be strongly supportive of certain types of tax cuts... If, however, in the process you get significant increases in deficits which induce a rise in long-term interest rates, you will be significantly undercutting the benefits."	Federal Reserve Chairman Alan Greenspan	April 30, 2003	Testimony, House Financial Services Committee

